

RESOLUTION #2023-14

A resolution in support of reform of the State's best practices program (RUBA) to directly support communities and remove barriers to investments in water/sewer infrastructure.

WHEREAS, AML and members have consistently supported sustainable utility systems that benefit from and reflect efficient and effective governance, administration, and operations; and

WHEREAS, members have identified numerous challenges related to the State Rural Utility Business Advisor (RUBA) program, even as the Legislature has considered ways in which to improve the program; and

WHEREAS, the State's best practice scoring is administered by DEC and DCRA, with DCRA administering the RUBA program; and

WHEREAS, scoring is one way to assess the administrative, financial, and governance capacity of a local government and water utility, and is used to determine whether the State should make additional investments into water and sewer infrastructure in that community; and

WHEREAS, higher scores reflect communities that have capacity to do well, and which receive funds then to further improve existing systems, it is often those communities with lower scores who are more likely unserved or underserved, and where funds would make the biggest difference to improve water and wastewater systems in Alaska; and

WHEREAS, AML members identified the following challenges:

- scoring is often inconsistent with lack of clarity about how a score was determined, and metrics that seem to vary depending on who is producing a score; and
- scores are reduced for accrual accounting, even though this is the correct and accurate way to produce financials and reflects government finance best practices (GAAP); and
- financial accounting software that is different than QuickBooks often results in lower scores because of the proficiency or unfamiliarity of the reviewer; and
- turnover at the local level is common, even as many regions experience turnover at the State level with who is responsible for scoring - this cycle means that experienced managers at the local level are helping State staff learn more about the circumstance of working with small and rural communities, and that State staff are working to train up local staff to make them more familiar with best practices requirements; and
- water operator certification seems to be based on a national program, which doesn't appear to be responsive to rural or small community realities; some of the higher-level engineering, math, or science requirements may preclude strong candidates for maintenance and operations, even as other solutions like circuit riders or shared resources may have the same result; and
- requiring two operators to get extra points in the final score means that communities have to consider reducing to half-time a highly skilled operator, which is a perverse incentive for small communities; and
- some communities have only wastewater utilities, for whom the water operator requirements shouldn't apply, and it is unclear how the system responds to differences like this; and
- to the extent that communities are micro-managed in this process, the program actually reduces community capacity without improving sustainability; improvements could look like monthly vs. quarterly/annual reporting,

including multiple options of documentation about the utility in a city council's meeting minutes, when these are already covered under financials, etc.; and

- there are some instances of requirements for certain paperwork to be turned in one way, and then a community told to do it differently, and ultimately questioned about what they were submitting – certified mail, faxing, and so on, only to be told that they had to prove it; and
- there appeared to be new requirements, and requirements that have evolved, which seem confusing and unnecessarily burdensome, and implementation of new or different standards should be done in consultation with communities, working both to improve efficiency of program administration and result in improvements to local system management; and
- the requirement for a Preventive Maintenance Plan is a positive addition, generally, but it was implemented in ways that were very confusing; every additional requirement that lends itself to stronger utility management is reducing the capacity of communities to be successful at all the other items that are required if it doesn't come with additional resources by the State; and
- participants were pleased with the quality of the trainings offered by the State, however, timing and frequency were an issue; and
- new construction and overhauled water and sewer systems result in high costs for residents, and local governments that receive limited (reduced by half in 2015) State support in the form of Community Assistance or other funding, and who have limited tax base, are not in a position to help bring those costs down; and
- Workers Compensation insurance and Payroll Liability Compliance are issues that come up often, and in particular there are limited ways the community can demonstrate or track payments; often this is a timing issue, and it is a regular occurrence that scores are lower even though a community has submitted payment but there isn't a mechanism for them to reflect that to State staff; and

WHEREAS, AML offers the following potential solutions to address these issues:

- Participating communities may benefit from other training options than that offered by the State, and the State should work to add a list of other trainings where attendance would add to the overall scoring available to the community. There are lots of ways to get to stronger management, and restricting this to one program (instead of taking advantage of all the options out there) may result in duplication or reduced capacity overall. Recognizing all training would incentivize more training.
- Partners can have a role in billing assistance or financial management, and the State should consider the partners that local governments are working with and reflect that in the scores. We know that both ANTHC and AML are in a position to do this, and that could be included in the consideration of the community's capacity.
- Finalize the rural water service operator certification that DEC has been working on for years, and implement some ability to have some middle ground that recognizes the reality of rural communities. This can be envisioned similar to having a Trooper in a community, and the development of the VPSO program. Communities that have access to higher level skills, even if they aren't employed, have the same effect for the sustainability of systems.
- Change from cash to accrual accounting – this is a straightforward change that would meet communities where they're at and is consistent with Generally Accepted Accounting Principles.
- Consider reform, such that communities in good standing can remain that way with fewer requirements for reporting and compliance. At the same time, focus on the communities that need managerial and financial management assistance most, and work with them directly to improve scores. A dashboard system may be just as effective as current scoring, with different reporting and compliance requirements for green (strong), yellow (improving), and red (at-risk).

- This could include counting the current required reporting as sufficient – those that are already required for other State programs, like Community Assistance
- Consider working with ANTHC or others on a standardized preventive maintenance plan template and online database for record keeping.
- With new infrastructure funding, allow for more than one planning and construction grant at a time so that communities can make the most of it.
- Work with the Legislature to establish funding to support maintenance and operations, and to bring down the costs of rural utility systems. This would lessen the burden on communities and strengthen the affordability index that would qualify communities for water and sewer investments.
- For high-cost communities, consider a subsidy that lowers residential user fees, even as the State works with communities to improve system management and reduce costs.

NOW THEREFORE BE IT RESOLVED that AML recognizes the shared intent of State administrators and local governments, and believes that by working together on these issues, alongside and with State agency officials and the Legislature, we can strengthen Alaska's local governments and community water and sewer systems; and

BE IT FURTHER RESOLVED that AML encourages regulatory and statutory changes that strengthen the capacity of local governments to improve systems of governance and financial management for water and sewer operations.